

Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL



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August 1, 1978

Letter Report 801

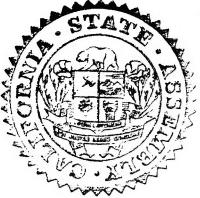
The Honorable Mervyn Dymally
Lieutenant Governor
State Capitol, Room 1028
Sacramento, California 95814

Dear Mr. Dymally:

Your Joint Legislative Audit Committee respectfully forwards the Auditor General's letter report on the Legal Costs of School Districts.

The auditors are Richard I. LaRock, Audit Supervisor and J. Peter Bouvier.

Cordially,
Mike Cullen
MIKE CULLEN
Chairman



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July 27, 1978

Letter Report 801

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
Room 5144, State Capitol
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a resolution of the Joint Legislative Audit Committee, we have conducted a survey to compile school district legal service costs for fiscal years 1975, 1976 and 1977 with subcosts for (1) collective bargaining and (2) integration. This survey was conducted under authority vested in the Auditor General by Section 10527 of the Government Code.

We have applied survey procedures agreed upon by the Lieutenant Governor's Office, which requested the survey, and the Auditor General's Office. The survey procedures used to compile school district legal service costs are described below.

- The Auditor General's staff developed legal service cost questionnaires to send to local educational agencies (LEAs) and county counsels (Attachment A). The questionnaires were reviewed by the Lieutenant Governor's Office, the State Department of Education and the Chancellor's Office of the California Community Colleges.

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
July 27, 1978
Page 2

- We mailed the questionnaires to kindergarten through twelfth grade (K-12) school districts, community college districts, county superintendents of schools and county counsels.
- Fifty days were allowed for completion and return of the questionnaires.
- The responses to the LEA questionnaires were compiled as shown in Attachments B and C.

We did not compile the responses from county counsels because they appear to be inconsistent and may be duplicative of LEA responses. Many LEAs are represented partially or exclusively by county counsels who do not charge LEAs for legal services and do not keep separate records of costs of legal services rendered to each LEA.

The accounting systems used by LEAs are not designed to separately record legal service costs nor subcosts for collective bargaining or integration. The LEAs, therefore, were required to identify total and components of legal service costs to complete the legal service cost questionnaire. Estimated audit costs to validate the reported legal service costs were prohibitive. Therefore, the agreed-upon procedures did not include audit of the legal service cost data reported, and the Auditor General makes no attestation to the accuracy or reliability of the legal service costs reported by LEAs in Attachment C.

Audit standards of the American Institute of Certified Public Accountants provide that when the scope of an engagement is limited to applying agreed-upon procedures to specific elements, accounts or items of financial statements, distribution of the report should be restricted to parties involved (Attachment D). Therefore, because of the nature of the data, this report should be distributed only to members of your staff or staff members of the following agencies who assisted in the conduct of this survey:

- The Lieutenant Governor's Office
- The State Department of Education
- The Chancellor's Office of the California Community Colleges.

Honorable Mike Cullen
Chairman, and Members of the
Joint Legislative Audit Committee
July 27, 1978
Page 3

Thirty-two percent of K-12 school districts and forty-three percent of community college districts responded to the questionnaires and reported charges for legal services. These same districts represented the following proportions of the total California student enrollment in the fall of 1977: K-12 districts--forty-one percent; and community college districts--thirty-nine percent.

We have made no attempt to determine if the legal service costs of the reporting LEAs are representative of LEAs that did not respond to the legal service cost questionnaires.

Respectfully submitted,


JOHN H. WILLIAMS

Auditor General

Staff: Richard LaRock, Audit Supervisor
J. Peter Bouvier

Attachments:

Attachment A—Legal Service Cost Questionnaires Sent to LEAs and County Counsels

Attachment B—Summary of LEAs Responding to Legal Service Cost Questionnaires

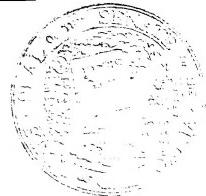
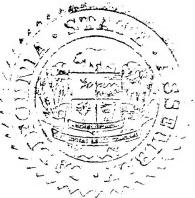
Attachment C—Summaries of Legal Service Costs of Reporting LEAs

Attachment D—Excerpt from Audit Standards of American Institute of Certified Public Accountants

ATTACHMENT A

**LEGAL SERVICE COST QUESTIONNAIRES SENT
TO LEAs AND COUNTY COUNSELS**

K-12 school districts and county superintendents of schools	Attachment A-1
Community college districts	Attachment A-2
County counsels	Attachment A-3



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QUESTIONNAIRE SENT TO K-12 SCHOOL DISTRICTS AND COUNTY SUPERINTENDENTS OF SCHOOLS

April 26, 1978

801

Dear Superintendent:

The Joint Legislative Audit Committee of the California Legislature has directed the Office of the Auditor General to compile total school district legal costs, with subcosts for (1) collective bargaining and (2) integration, for fiscal years 1975, 1976 and 1977. Our survey is being conducted with the cooperation of the State Department of Education and the Chancellor's Office of California Community Colleges.

The purpose of this survey is to determine if recent legislation has caused increased legal expenses. To accomplish this, it is necessary to obtain the legal service costs for each of the requested years. If exact expenditures for legal services are not available, please give your best estimated costs and indicate them as estimates. Legal service costs are defined, for this survey, as those fees charged the district by law firms or attorneys for services rendered.

Your prompt completion and return of the enclosed legal cost questionnaire by June 15, 1978 will be appreciated. If you wish clarification on any aspect of the survey, please telephone either Peter Bouvier or Richard LaRock of the Auditor General's Office at (916)445-0255.

Sincerely,

JOHN H. WILLIAMS
 Auditor General

JHW:JPB/arm
 Enclsoure

Please complete the following schedule of district legal service expenditures for fiscal years 1975, 1976 and 1977.

Legal Service Expenditures are defined as those fees charged the district by law firms or attorneys for services rendered. The County Counsel's Office will be considered a law firm for charged services.

Other Legal Services include those legal services, other than collective bargaining and integration services, provided the district by law firms or attorneys. Examples include personal injury litigation, contract drafting and review, and condemnation proceedings.

District Expenditures, Year Ended June 30, 1975

All Legal Services Performed By County Counsel Without Cost to District

Type of Service Provided	Salaries and Benefits Paid For Staff Counsel	Amounts Paid By School District To Private Counsel	Payments to County Counsels or District Attorneys	Total School District Legal Costs
Collective Bargaining	\$ _____	\$ _____	\$ _____	\$ _____
Integration	\$ _____	\$ _____	\$ _____	\$ _____
Other Legal Services	\$ _____	\$ _____	\$ _____	\$ _____
Total School District Legal Costs	\$ _____	\$ _____	\$ _____	\$ _____

District Expenditures, Year Ended June 30, 1976

All Legal Services Performed By County Counsel Without Cost to District

Type of Service Provided	Salaries and Benefits Paid For Staff Counsel	Amounts Paid By School District To Private Counsel	Payments to County Counsels or District Attorneys	Total School District Legal Costs
Collective Bargaining	\$ _____	\$ _____	\$ _____	\$ _____
Integration	\$ _____	\$ _____	\$ _____	\$ _____
Other Legal Services	\$ _____	\$ _____	\$ _____	\$ _____
Total School District Legal Costs	\$ _____	\$ _____	\$ _____	\$ _____

District Expenditures, Year Ended June 30, 1977

All Legal Services Performed By County Counsel Without Cost to District

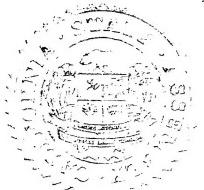
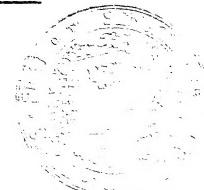
Type of Service Provided	Salaries and Benefits Paid For Staff Counsel	Amounts Paid By School District To Private Counsel	Payments to County Counsels or District Attorneys	Total School District Legal Costs
Collective Bargaining	\$ _____	\$ _____	\$ _____	\$ _____
Integration	\$ _____	\$ _____	\$ _____	\$ _____
Other Legal Services	\$ _____	\$ _____	\$ _____	\$ _____
Total School District Legal Costs	\$ _____	\$ _____	\$ _____	\$ _____

Signed by _____

School District _____

Title _____

Date _____

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QUESTIONNAIRE SENT TO COMMUNITY COLLEGE DISTRICTS

April 26, 1978

801

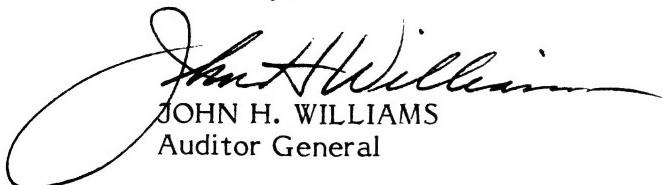
Dear Chancellor:

The Joint Legislative Audit Committee of the California Legislature has directed the Office of the Auditor General to compile total school district legal costs, with subcosts for collective bargaining, for fiscal years 1975, 1976 and 1977. Our survey is being conducted with the cooperation of the State Department of Education and the Chancellor's Office of California Community Colleges.

The purpose of this survey is to determine if recent legislation has caused increased legal expenses. To accomplish this, it is necessary to obtain the legal service costs for each of the requested years. If exact expenditures for legal services are unavailable, please give your best estimated costs and indicate them as estimates. Legal service costs are defined, for this survey, as those fees charged the district by law firms or attorneys for services rendered.

Your prompt completion and return of the enclosed legal cost questionnaire by June 15, 1978 will be appreciated. If you wish clarification on any aspect of the survey, please telephone either Peter Bouvier or Richard LaRock of the Auditor General's Office at (916)445-0255.

Sincerely,



JOHN H. WILLIAMS
Auditor General

JHW:JPB/arm
Enclosure

LEGAL SERVICE COST QUESTIONNAIRE

Please complete the following schedule of district legal service expenditures for fiscal years 1975, 1976 and 1977.

Legal Service Expenditures are defined as those fees charged the district by law firms or attorneys for services rendered. The County Counsel's Office will be considered a law firm for charged services.

Other Legal Services include those legal services, other than collective bargaining services, provided the district by law firms or attorneys. Examples include personal injury litigation, contract drafting and review, and condemnation proceedings.

District Expenditures, Year Ended June 30, 1975

All Legal Services Performed By County Counsel Without Cost to District

Type of Service Provided	Salaries and Benefits Paid For Staff Counsel	Amounts Paid By School District To Private Counsel	Payments to County Counsels or District Attorneys	Total School District Legal Costs
Collective Bargaining	\$ _____	\$ _____	\$ _____	\$ _____
Other Legal Services	\$ _____	\$ _____	\$ _____	\$ _____
Total School District Legal Costs	\$ _____	\$ _____	\$ _____	\$ _____

District Expenditures, Year Ended June 30, 1976

All Legal Services Performed By County Counsel Without Cost to District

Type of Service Provided	Salaries and Benefits Paid For Staff Counsel	Amounts Paid By School District To Private Counsel	Payments to County Counsels or District Attorneys	Total School District Legal Costs
Collective Bargaining	\$ _____	\$ _____	\$ _____	\$ _____
Other Legal Services	\$ _____	\$ _____	\$ _____	\$ _____
Total School District Legal Costs	\$ _____	\$ _____	\$ _____	\$ _____

District Expenditures, Year Ended June 30, 1977

All Legal Services Performed By County Counsel Without Cost to District

Type of Service Provided	Salaries and Benefits Paid For Staff Counsel	Amounts Paid By School District To Private Counsel	Payments to County Counsels or District Attorneys	Total School District Legal Costs
Collective Bargaining	\$ _____	\$ _____	\$ _____	\$ _____
Other Legal Services	\$ _____	\$ _____	\$ _____	\$ _____
Total School District Legal Costs	\$ _____	\$ _____	\$ _____	\$ _____

Signed by

Community College District

Title

Date



Joint Legislative Audit Committee

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QUESTIONNAIRE SENT TO COUNTY COUNSELS

April 26, 1978

801

Dear County Counsel:

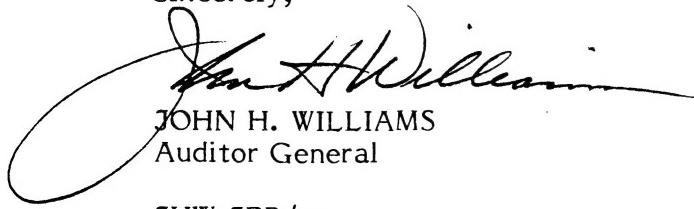
The Joint Legislative Audit Committee of the California Legislature has directed the Office of the Auditor General to compile total school district legal costs, with subcosts for (1) collective bargaining and (2) integration, for fiscal years 1975, 1976 and 1977. Our survey is being conducted with the cooperation of the State Department of Education and the Chancellor's Office of California Community Colleges.

The purpose of this survey is to determine if recent legislation has caused increased legal expenses. To accomplish this, it is necessary to obtain the legal service costs for each of the requested years.

Your office may not have records to separately identify legal services to school districts or collective bargaining and integration costs. If this is the case, please estimate such costs. Legal services are defined, for this survey, as those fees charged the district for services rendered.

Your prompt completion and return of the enclosed legal cost questionnaire by June 15, 1978 will be appreciated. If you wish clarification on any aspect of the survey, please telephone either Peter Bouvier or Richard LaRock of the Auditor General's Office at (916)445-0255.

Sincerely,


JOHN H. WILLIAMS
 Auditor General

JHW:JPB/arm
 Enclosure

LEGAL SERVICE COST QUESTIONNAIRE

Please complete the following schedule of district legal service expenditures for fiscal years 1975, 1976 and 1977.

Legal Service Expenditures are defined as those fees charged the district for services rendered.

Other Legal Services include those legal services, other than collective bargaining and integration services, provided the district. Examples include personal injury litigation, contract drafting and review, and condemnation proceedings.

District Expenditures, Year Ended June 30, 1975

<u>Collective Bargaining</u>	<u>Integration</u>	<u>Other Legal Services</u>	<u>Total County Cost of Legal Services</u>	<u>Provided School Districts</u>
\$ _____	\$ _____	\$ _____	\$ _____	

District Expenditures, Year Ended June 30, 1976

<u>Collective Bargaining</u>	<u>Integration</u>	<u>Other Legal Services</u>	<u>Total County Cost of Legal Services</u>	<u>Provided School Districts</u>
\$ _____	\$ _____	\$ _____	\$ _____	

District Expenditures, Year Ended June 30, 1977

<u>Collective Bargaining</u>	<u>Integration</u>	<u>Other Legal Services</u>	<u>Total County Cost of Legal Services</u>	<u>Provided School Districts</u>
\$ _____	\$ _____	\$ _____	\$ _____	

Signed by _____ County _____

Title _____ Date _____

ATTACHMENT B

**SUMMARY OF
LEAs RESPONDING TO
LEGAL SERVICE COST QUESTIONNAIRES***

	<u>K-12 School Districts</u>	<u>County Superintendents Of Schools</u>	<u>Community College Districts</u>
<u>NUMBER:</u>			
Total number of LEAs	<u>1,046</u>	<u>58</u>	<u>70</u>
LEAs responding to questionnaires	485	26	39
Less: LEAs reporting no charges for legal services*	<u>146</u>	<u>10</u>	<u>9</u>
LEAs reporting charges for legal services	339	16	30
Percent of total number of LEAs reporting charges for legal services	<u>32%</u>	<u>28%</u>	<u>43%</u>
<u>ENROLLMENT:</u>			
Total fall 1977 LEA enrollments	<u>4,960,942</u>	<u>27,939</u>	<u>1,322,118</u>
Fall enrollments of LEAs reporting charges for legal services	2,022,694**	12,384	512,676
Percent of total enrollments represented by LEAs reporting charges for legal services	<u>41%</u>	<u>44%</u>	<u>39%</u>

* Some LEAs responding to the questionnaire reported that all legal services for the LEA were provided without cost by the county counsel.

** Enrollment of K-12 school districts does not include students enrolled in county superintendent of school programs.

ATTACHMENT C

**SUMMARIES OF
LEGAL SERVICE COSTS OF REPORTING LEAs**

K-12 school districts	Attachment C-1
County superintendents of schools	Attachment C-2
Community college districts	Attachment C-3

UNAUDITED DATA

**SUMMARY OF LEGAL SERVICE COSTS OF
REPORTING K-12 SCHOOL DISTRICTS**

	<u>Salaries and Benefits Paid for Staff Counsel</u>	<u>Amounts Paid to Private Counsel</u>	<u>Payments to County Counsels</u>	<u>Total</u>
<u>YEAR ENDED JUNE 30, 1975</u>				
Collective bargaining	\$ 66,861	\$ 265,659	\$ 4,950	\$ 337,470
Integration	-	\$ 52,331	\$ 6,894	\$ 59,225
Other legal services	\$ 72,955	\$ 151,907	\$42,031	\$ 266,893
Total	\$139,816	\$ 469,897	\$53,875	\$ 663,588
<u>YEAR ENDED JUNE 30, 1976</u>				
Collective bargaining	\$141,822	\$ 717,058	\$ 5,532	\$ 864,412
Integration	-	\$ 85,175	\$ 1,549	\$ 86,724
Other legal services	\$105,149	\$ 370,572	\$49,611	\$ 525,332
Total	\$246,971	\$1,172,805	\$56,692	\$1,476,468
<u>YEAR ENDED JUNE 30, 1977</u>				
Collective bargaining	\$186,761	\$1,511,755	\$15,873	\$1,714,389
Integration	\$ 1,000	\$ 98,037	\$11,667	\$ 110,704
Other legal services	\$137,810	\$ 441,596	\$54,504	\$ 633,910
Total	\$325,571	\$2,051,388	\$82,044	\$2,459,003

DEFINITIONS:

Legal Service Costs are defined as those fees charged the LEA by law firms or attorneys for services rendered. The County Counsel's Office is considered a law firm for charged services. Legal services provided by the county counsel without charge to LEAs are not defined as legal service costs to LEAs.

Collective Bargaining is the procedure to reach mutual agreements between public school employers and accredited public school employee representatives on matters permitted by the California Government Code Section 3540 et seq.

Other Legal Services include those legal services, other than collective bargaining and integration services, provided the LEA by law firms or attorneys. Examples include personal injury litigation, contract drafting and review, and condemnation proceedings.

UNAUDITED DATA

UNAUDITED DATA

**SUMMARY OF LEGAL SERVICE COSTS OF
REPORTING COUNTY SUPERINTENDENTS
OF SCHOOLS (SEE ATTACHMENT B)**

	<u>Salaries and Benefits Paid for Staff Counsel</u>	<u>Amounts Paid to Private Counsel</u>	<u>Payments to County Counsels</u>	<u>Total</u>
<u>YEAR ENDED JUNE 30, 1975</u>				
Collective bargaining	<u>-</u>	<u>\$ 2,460</u>	<u>-</u>	<u>\$ 2,460</u>
Integration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other legal services	<u>\$43,000</u>	<u>-</u>	<u>\$ 300</u>	<u>\$ 43,300</u>
Total	<u>\$43,000</u>	<u>\$ 2,460</u>	<u>\$ 300</u>	<u>\$ 45,760</u>
<u>YEAR ENDED JUNE 30, 1976</u>				
Collective bargaining	<u>-</u>	<u>\$32,721</u>	<u>\$ 2,650</u>	<u>\$ 35,371</u>
Integration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other legal services	<u>\$46,000</u>	<u>\$ 5,091</u>	<u>\$14,680</u>	<u>\$ 65,771</u>
Total	<u>\$46,000</u>	<u>\$37,812</u>	<u>\$17,330</u>	<u>\$101,142</u>
<u>YEAR ENDED JUNE 30, 1977</u>				
Collective bargaining	<u>\$ 6,065</u>	<u>\$46,975</u>	<u>\$ 1,075</u>	<u>\$ 54,115</u>
Integration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other legal services	<u>\$50,313</u>	<u>\$46,334</u>	<u>\$16,400</u>	<u>\$113,047</u>
Total	<u>\$56,378</u>	<u>\$93,309</u>	<u>\$17,475</u>	<u>\$167,162</u>

DEFINITIONS:

Legal Service Costs are defined as those fees charged the LEA by law firms or attorneys for services rendered. The County Counsel's Office is considered a law firm for charged services. Legal services provided by the county counsel without charge to LEAs are not defined as legal service costs to LEAs.

Collective Bargaining is the procedure to reach mutual agreements between public school employers and accredited public school employee representatives on matters permitted by the California Government Code Section 3540 et seq.

Other Legal Services include those legal services, other than collective bargaining and integration services, provided the LEA by law firms or attorneys. Examples include personal injury litigation, contract drafting and review, and condemnation proceedings.

UNAUDITED DATA

UNAUDITED DATA

**SUMMARY OF LEGAL SERVICE COSTS OF
REPORTING COMMUNITY COLLEGE DISTRICTS
(SEE ATTACHMENT B)**

	<u>Salaries and Benefits Paid for Staff Counsel</u>	<u>Amounts Paid to Private Counsel</u>	<u>Payments to County Counsels</u>	<u>Total</u>
<u>YEAR ENDED JUNE 30, 1975</u>				
Collective bargaining	<u>-</u>	<u>\$ 51,553</u>	<u>-</u>	<u>\$ 51,553</u>
Other legal services	<u>-</u>	<u>\$ 19,205</u>	<u>\$1,700</u>	<u>\$ 20,905</u>
Total	<u>-</u>	<u>\$ 70,758</u>	<u>\$1,700</u>	<u>\$ 72,458</u>
<u>YEAR ENDED JUNE 30, 1976</u>				
Collective bargaining	<u>-</u>	<u>\$ 78,839</u>	<u>-</u>	<u>\$ 78,839</u>
Other legal services	<u>-</u>	<u>\$ 45,506</u>	<u>\$1,739</u>	<u>\$ 47,245</u>
Total	<u>-</u>	<u>\$124,345</u>	<u>\$1,739</u>	<u>\$126,084</u>
<u>YEAR ENDED JUNE 30, 1977</u>				
Collective bargaining	<u>-</u>	<u>\$240,228</u>	<u>-</u>	<u>\$240,228</u>
Other legal services	<u>\$19,163</u>	<u>\$ 59,844</u>	<u>\$1,036</u>	<u>\$ 80,043</u>
Total	<u>\$19,163</u>	<u>\$300,072</u>	<u>\$1,036</u>	<u>\$320,271</u>

DEFINITIONS:

Legal Service Costs are defined as those fees charged the LEA by law firms or attorneys for services rendered. The County Counsel's Office is considered a law firm for charged services. Legal services provided by the county counsel without charge to LEAs are not defined as legal service costs to LEAs.

Collective Bargaining is the procedure to reach mutual agreements between public school employers and accredited public school employee representatives on matters permitted by the California Government Code Section 3540 et seq.

Other Legal Services include those legal services, other than collective bargaining and integration services, provided the LEA by law firms or attorneys. Examples include personal injury litigation, contract drafting and review, and condemnation proceedings.

UNAUDITED DATA

EXCERPT FROM AUDIT STANDARDS
OF AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

**CODIFICATION
OF
STATEMENTS ON
AUDITING STANDARDS**

NUMBERS 1 TO 21

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Special Reports

343

Reports Relating to the Results of Applying Agreed-Upon Procedures to Specified Elements, Accounts, or Items of a Financial Statement

.15 When the scope of an engagement is limited to applying, to one or more specified elements, accounts, or items of a financial statement, agreed-upon procedures that are not sufficient to enable the accountant to express an opinion on the specified elements, accounts, or items, he should so state in his report. Acceptance of such an engagement is appropriate only if (a) the parties involved have a clear understanding of the procedures⁸ to be performed, (b) distribution of the report is to be restricted to named parties involved, and (c) financial statements of the entity are not to accompany the report. The accountant's report should (a) indicate the specified elements, accounts, or items to which the agreed-upon procedures were applied, (b) indicate the intended distribution of the report, (c) enumerate the procedures performed, (d) state the accountant's findings, (e) disclaim an opinion with respect to the specified elements, accounts, or items, and (f) state that the report should not be associated with the financial statements of the entity.